22/1

NEWCASTLE MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the Year Ended

30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 24 of these annual financial statements are within the limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

BE Nkanzi

Municipal Manager

28/11/2008

Date

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NEWCASTLE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		**282 079 466**	**313 121 913**
Housing Development Fund	2	20 955 765	18 779 508
Capitalisation reserve		87 395 155	95 828 284
Government grant reserve		56 662 567	54 829 520
Self-insurance reserve		5 239 879	5 830 749
Accumulated Surplus/(Deficit)		111 826 100	137 853 852
Non-current liabilities		**116 439 170**	**50 547 609**
Long-term liabilities	3	61 337 600	38 844 380
Non-current provisions	4	55 101 570	11 703 229
Current liabilities		**151 122 083**	**128 173 695**
Consumer deposits	5	9 478 841	8 946 909
Provisions	6	4 442 006	1 454 545
Creditors	7	55 413 407	61 991 848
Unspent conditional grants and receipts	8	51 149 758	32 743 323
VAT	9	24 495 519	18 388 962
Short-term loans		-	0
Bank overdraft		-	0
Current portion of long-term liabilities	3	6 142 553	4 648 108
Total Net Assets and Liabilities		***549 640 720***	***491 843 217***
ASSETS			
Non-current assets		**222 865 275**	**269 381 468**
Property, Plant and Equipment	10	215 800 097	225 383 016
Investment property		-	-
Investments	11	-	32 191 934
Investment in associate		-	-
Long-term receivables	12	7 065 178	11 806 518
Current assets		**326 775 445**	**222 461 749**
Inventory	14	5 198 147	4 167 640
Consumer debtors	15	47 287 923	44 763 360
Other debtors	16	9 323 443	16 962 450
Current portion of long-term receivables	12	18 864 939	950 743
Call investment deposits	17	228 859 882	89 467 587
Bank balances and cash	18	17 241 111	66 149 969
Total Assets		***549 640 720***	***491 843 217***

NEWCASTLE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Property rates	19	145 960 972	135 519 685
Property rates - penalties imposed and collection charges		3 352 677	2 658 864
Service charges	20	368 598 919	314 297 568
Regional Services Levies – turnover		0	2 451 939
Regional Services Levies – remuneration		0	0
Rental of facilities and equipment		3 549 259	3 734 400
Interest earned - external investments		17 458 708	8 999 743
Interest earned - outstanding debtors		1 113 588	915 041
Dividends received		0	0
Fines		4 451 578	3 491 907
Licences and permits		227 044	229 807
Income for agency services		48 785	41 349
Government grants and subsidies	21	146 186 933	136 673 724
Other income	22	2 290 066	9 682 032
Public contributions and donations		0	0
Gains on disposal of property, plant and equipment		109 100	0
Total Revenue		**693 347 629**	**618 696 059**
EXPENDITURE			
Employee related costs	23	115 953 493	95 971 853
Remuneration of Councillors	24	11 715 080	13 212 867
Bad debts		85 392 914	74 858 308
Collection costs		6 030 785	5 617 719
Depreciation		22 977 553	21 870 322
Repairs and maintenance		33 155 992	31 859 830
Interest paid	25	8 509 863	2 946 411
Bulk purchases	26	127 538 606	115 564 399
Contracted services		1 211 816	1 912 013
Grants and subsidies paid	27	25 217 796	14 984 512
General expenses		206 111 095	213 594 461
Impairment Loss on Investment - Uthukela Water		37 865 822	0
Total Expenditure		**681 680 815**	**592 392 695**
SURPLUS/(DEFICIT)		**11 666 814**	**26 303 364**
Share of surplus or (deficit) accounted for under the equity method		0	0
SURPLUS/(DEFICIT) FOR THE YEAR		**11 666 814**	**26 303 364**

NEWCASTLE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Self- Insurance Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R	R
2007							
Balance at 1 July 2006	17 426 712	-	105 658 036	49 758 569	5 464 345	111 550 488	289 858 150
Implementation of GAMAP (Note 30)							-
Change in accounting policy (Note 31)							-
Restated balance	**17 426 712**	**-**	**105 658 036**	**49 758 569**	**5 464 345**	**111 550 488**	**289 858 150**
Surplus/(deficit) for the year						26 303 364	26 303 364
Transfer to CRR							-
PPE purchased							-
Capital grants used to purchase PPE				13 166 840			13 166 840
Donated/contributed PPE							-
Contribution to Insurance Reserve					366 404		366 404
Insurance claims processed							-
Transfer to Housing Development Fund	1 352 796						1 352 796
Offsetting of depreciation			-9 774 988	-4 690 219			-14 465 207
Adjustments			-54 764	-3 405 670			-3 460 434
Balance at 30 June 2007	**18 779 508**	**-**	**95 828 284**	**54 829 520**	**5 830 749**	**137 853 852**	**313 121 913**
2008							
Correction of opening balance error	36 426						36 426
Adjustment for winding up of WRS						-372 629	-372 629
Adjustment for Post Retirement Benefits						-38 980 702	-38 980 702
							-
Restated balance	**18 815 934**	**-**	**95 828 284**	**54 829 520**	**5 830 749**	**98 500 521**	**273 805 008**
Surplus/(deficit) for the year						11 666 814	11 666 814
Adjustment for Land and Buildings removed from the asset register from findings in 2007/2008 audit						-8 983 429	-8 983 429
Transfer to CRR							-
PPE purchased				8 868 013			8 868 013
Net results of accumulated surplus analysis						10 642 194	10 642 194
Donated/contributed PPE							-
Contribution to Insurance Reserve					503 899		503 899
Insurance claims processed					-1 094 770		-1 094 770
Transfer to Housing Development Fund	2 139 831						2 139 831
Asset disposals				-1 737 410			-1 737 410
Offsetting of depreciation			-8 433 129	-5 297 557			-13 730 686
Balance at 30 June 2008	**20 955 765**	**-**	**87 395 155**	**56 662 566**	**5 239 879**	**111 826 100**	**282 079 465**

NEWCASTLE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		603 673 552	715 216 503
Cash paid to suppliers and employees		-530 533 612	-650 004 731
Cash generated from/(utilised in) operations	28	50 167 980	65 211 772
Dividends received		-	-
Interest received		18 572 296	9 914 784
Interest paid	25	-8 509 863	-2 946 411
NET CASH FROM OPERATING ACTIVITIES		**60 230 413**	**72 180 145**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-27 868 498	-31 651 974
Proceeds on disposal of property, plant and equipment		14 582 843	709 986
Increase in call investments	17	-139 392 295	-18 464 312
(Increase)/decrease in non-current receivables	12	-13 172 857	-2 216 515
Increase in non-current investments	11	32 191 934	-1 564 604
NET CASH FROM INVESTING ACTIVITIES		-133 658 872	-53 187 419
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)	3	23 987 665	11 773 788
Increase in consumer deposits	5	531 936	32 220
Decrease/(increase) in Non current provisions		-	13 157 774
NET CASH FROM FINANCING ACTIVITIES		24 519 601	24 963 782
NET DECREASE IN CASH AND CASH EQUIVALENTS		**-48 908 858**	**43 956 508**
Cash and cash equivalents at the beginning of the year	29	**66 149 969**	**22 193 461**
Cash and cash equivalents at the end of the year		**17 241 111**	**66 149 969**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.The annual financial statements have been prepared on historical cost basis, and incorporate the principle accounting policies set out below.

The standard comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The effect of changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and applicable procedure have been based on the South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African rands.

1.2 GOING CONCERN

The annual financial statements have been prepared on a going concern basis.

1.3 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Housing Act, Act No.107 of 1970. Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of Housing Act, all proceeds from hosing developments, which include rental income and sales of houses ,must be paid into the Housing Development Fund. Monies standing to the credit of Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the MEC responsible for housing.

1.4 RESERVES

1.4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus / (deficit) to the CRR in terms of Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank can only be utilised to finance items of property, plant and equipment. The CRR is reduced and accumulated surplus/ (deficit) is credited by the corresponding amount when amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality is based on the municipality's need to finance future capital projects included in the Integrated Development Programme, subject to affordability in the budget process.

Interest earned on CRR investments is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with council policy.

The CRR may only be utilised for the purpose of purchasing/construction of items of property, plant and equipment and may not be used for maintenance of these items.

1.4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds created in terms of various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of accumulated surplus/ (deficit) in terms of a directive issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expense that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plan and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

1.4.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with the directive from National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

1.4.3 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The Self-Insurance Reserve is reinstated or increased by a transfer from the accumulated surplus/ (deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.5 PROPERTY , PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in the value of land and buildings is recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Incomplete construction is stated at historic cost. Depreciation only commences when the asset is brought into use. The annual depreciation rates are based on the following estimated asset lives:-

	Years		Years
Buildings	20	**Other**	
		Office equipment	5
Infrastructure		Furniture and fittings	5
Airports	20	Bins and containers	5
Reservoirs and Tanks	20	Emergency equipment	5
Roads	15	Motor Vehicles	5 to 7
Electricity	15	Plant and equipment	5 to 7
Water	15	Other	5
Sewerage	15		
Service connection	15		

Community Assets	
Recreational facilities	5
Security system	5
Parks and gardens	15
Dams	5 to 15
Cemeteries	5 to 15
Community centres	5 to 20
Libraries	15 to 20

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions (see accounting note policy 4).

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.6 Intangible assets

Cost Model
Intangible assets are carried at cost less any accumulated depreciation.

Computer software is capitalised to the computer equipment where it forms an integral part of a computer equipment.

Servitudes are classified as intangible assets. Rights consist of servitudes. Rights are not depreciated as they have an indefinite useful life.

1.7 INVESTMENTS

1.7.1 Financial Instruments

Financial instruments, which include, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.7.2 Investment in Municipal Entities

Investments in municipal entities under the ownership control and or effective control of Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments.

1.8 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is weighted average method.

Cost on inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.9 ACCOUNTS RECEIVABLES

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from reporting date are classified as current.

1.10 TRADE CREDITORS

Trade creditors are stated at their fair value.

1.11 REVENUE RECOGNITION

1.11.1 Revenue from Exchange Transaction

Services charged relating to electricity water are based on consumption .Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. These are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property with improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Capital Replacement Reserve (CRR), the Housing Development Fund.

Finance income from the sale of housing by way of instalment sales agreements or finance recognised on a time proportion basis.

Dividends are recognised when the Municipality's right to receive payment is established.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or when the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

1.11.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportion basis.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

1.12 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.13 PROVISIONS

Provisions are recognized when the Municipality has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.14 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

1.15 LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over cots estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those that do not fall within the scope of the above definition. Operating lease rentals are recognised as they become due.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recognised as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.16 EMPLOYEE BENEFITS

1.16.1 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contribution to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. Surcharges are payable monthly in terms of the fund's actuarial valuation and annual reviews. An independed actuarial valuation for these benefits has been performed and recognition and disclosure requirements are fulfilled.

1.16.2 Medical Aid: Continued Members

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

These contributions are charges to the operating account when paid. An actuarial has been performed in order to determine the Municipalities future liability and such liability has been recognised in the Municipality's Statement of Financial Position.

1.16.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the valuation by an independent actuarial.

1.17 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.18 RELATED PARTY TRANSACTIONS

Uthukela Water Pty (Ltd): Net Investment value = R37 865 822

The investment in this entity has been fully impaired as the municipality does not anticipate recovery of this amount nor are the returns on the investment envisaged. The impairment losses have been accounted for in the Statement of Financial Performance.

Waste Works Newcastle

The financial statements of Waste Works Newcastle have not been consolidated into the annual financial statements of Newcastle Local Municipality pending the outcome of the liquidation process. These have been separately prepared and presented.

Councillors and Senior Management

Income from services rendered has not been calculated, however the only received from the Councillors and Senior Management is in terms of the approved Tariff of Charges in line with normal service delivery.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that is made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for reclassification is disclosed.

1.23 TAXATION

The municipality is exempted from tax returns in terms of section 10 (1) (n) of the income tax act of 1962.

	2008 R	2007 R
2 HOUSING DEVELOPMENT FUND		
Housing Development Fund	20 955 765	18 779 508
Unappropriated Surplus	11 096 298	8 920 041
Loans extinguished by Government on 1 April 1998	9 859 467	9 859 467
The Housing Development Fund is represented by the following assets and liabilities:		
Property, plant and equipment (see note 10)	-	
Housing selling scheme loans (see note 12)	-	3 107 730
Housing deposits (see note 5)	55 670	56 206
Housing Rental Debtors (see note 15)	966 276	877 723
Investments	11 507 927	12 344 874
Bank and cash	8 425 892	14 737 849
Sub-total	20 955 765	31 124 382
Creditors	-	-12 344 874
Total Housing Development Fund Assets and Liabilities	20 955 765	18 779 508
3 LONG-TERM LIABILITIES		
Local Registered Stock Loans-DBSA	66 569 649	41 857 547
Annuity Loans	-	19 563
Capitalised Lease Liability	910 504	1 615 378
Government Loans : Other	-	-
Sub-total	67 480 153	43 492 488
Less : Current portion transferred to current liabilities	-6 142 553	-4 648 108
Local Registered Stock Loans - DBSA	5 340 536	4 035 266
Annuity Loans	-	19 561
Capitalised Lease Liability	802 018	593 281
Government Loans : Other	-	-
Total External Loans	61 337 600	38 844 380
Refer to Appendix A for more detail on long-term liabilities		
4 NON-CURRENT PROVISIONS		
Provision for reclamation of refuse landfill site	12 491 964	11 703 229
Provision for Post Retirement Benefits	42 609 606	-
		-
Total Non-Current Provisions	55 101 570	11 703 229

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R16.2 million (R14.9 m: 2007) to restore the site at the end of its useful life, estimated to be in 2011. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing

The Provision for Retirement Benefits is based on independent actuarial valuation as at 30 June 2008.

The movement in the non-current provisions is reconciled as follows: -	2008	2007
	R	R
Provision for reclamation of refuse landfill site		
Balance at beginning of year (non-current and current)	13 157 774	-
Contributions to provision	512 607	11 961 613
Expenditure incurred	-	-
Increase in provision due to discounting	1 367 038	1 196 161
Transfer to current provisions	-2 545 455	-1 454 545
Balance at end of year	12 491 964	11 703 229
Provision for post retirement benefits		
Opening Accrued liability	38 980 702	-
Current Service costs	1 542 899	-
Contributions (Benefits paid)	-1 230 524	-
Actuarial loss / (Gain)	2 148 458	-
Interest cost	3 064 622	-
Transfer to current provisions	-1 896 551	-
Balance at end of year	42 609 606	-

5 CONSUMER DEPOSITS

Electricity and Water	9 055 128	8 609 540
Housing	55 670	56 206
Other	368 043	281 163
Total Consumer Deposits	9 478 841	8 946 909
Guarantees held in lieu of Electricity and Water Deposits	7 780 904	7 790 904

6 PROVISIONS

Current Portion - Provision for Retirement Benefits	1 896 551	-
Current portion - Provision for reclamation of refuse landfill site (see note 4 above)	2 545 455	1 454 545
Total Provisions	4 442 006	1 454 545

The movement in current provisions are reconciled as follows:

Current portion Landfill site

Balance at beginning of year	1 454 545	-
Transfer from non-current		1 454 545
Contributions to provision	2 987 461	
Expenditure incurred		
Balance at end of year	4 442 006	1 454 545

7 CREDITORS

	2008 R	2007 R
Trade Creditors	22 560 207	27 001 386
Payments received in advance		8 249 119
Grants and donations on behalf of Uthukela Water	8 980 075	-
Other Creditors	13 851 585	6 422 455
Housing Creditors	-	12 344 874
Staff Leave	10 021 540	7 974 014
Total Creditors	55 413 407	61 991 848

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

8.1 Conditional Grants from other spheres of Government	**51 149 758**	**32 743 323**
Conditional grants from other spheres of governments	46 832 272	30 428 239
Other grants receipts	4 317 486	2 315 084
Total Conditional Grants and Receipts	51 149 758	32 743 323

See Note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized. Refer to Appendix F for more detail.

9 VAT

VAT payable	24 495 519	18 388 962

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

11 INVESTMENTS	2008 R	2007 R
Unlisted		
Investment in Municipal Entities-Uthukela Water (Pty) Ltd - at cost	-	32 191 934
Total Investments	-	32 191 934

The Investment in Uthukela Water has been impaired by R37.8 million allocated as an Impairment Loss on Investment in the statement of financial performance. Performance of this utility and subsequent intervention by the MEC for local government indicate a significant improbability to recover the invested amount. Such a decision will however be tabled to Council for final resolution.

Municipal entities under sole or shared control of the municipality during the year:	Sole Control	% Control
Uthukela Water (Pty) Ltd	No	34
Waste Works Newcastle (an association not for gain incorporated under Section 21 of the Companies Act, 61 of 1973, Reg 2003/007712/08)	Yes	100

The Investment in Waste Works Newcastle has not been recognised in the financial statements of Newcastle Municipality as this entity has been dissolved and the investment does not carry underlying value. Further, the financial results and performance of this entity have not been consolidated into the financials of the municipality in line with the requirements of GAMAP 6 (Consolidated Financial Statements and Accounting for Controlled Entities). At the time of presentation of these financial statements the financial position of Waste Works Newcastle had not been finalised and the liquidation process still in progress and therefore the transfer of assets and liabilities into Newcastle financials could not be performed.

12 LONG-TERM RECEIVABLES

	2008 R	2007 R
Land Sales	12 710 421	2 316 400
Car Loans	46 502	345 372
Staff Housing Loans	5 674	16 800
Study Loans and bursaries	146 868	290 140
Loan to Municipal Entity	6 086 735	6 680 819
Housing selling scheme loans	-	3 107 730
DBSA Loans	17 169 538	
Less: Land Sales Cancelled	-10 235 620	
Less : Current portion transferred to current receivables	-18 864 939	-950 743
Land Sales	890 736	
Car loans	46 502	
Staff Housing Loans	5 332	
Staff Loans and Bursaries	143 272	
Loan to Municipal Entity	609 559	
DBSA Loans	17 169 538	
Total Receivables	**7 065 178**	**11 806 518**

CAR LOANS

Staff who participate in the car allowance scheme were entitled to car loans, attracting interest at 8% per annum and repayable over a maximum period of five years. In terms of the MFMA, No 56 of 2003, no new loans have been granted since July 2006.

LAND SALES

Public purchasing of property from the Council were able to settle the purchase price over a period of twelve months at the prime interest rate of Council's bankers at the date of purchasing the property. These loans are no longer allowed in terms of the MFMA, No 56 of 2003, and all property is now sold for payment to be effected on or before date of registration of transfer. The transaction is initiated when the sale agreement is signed and finalised on date of registration of transfer in the purchaser's name when full payment of the purchase price is effected.

STUDY LOANS

Dependants of staff were entitled to a low interest loan for study purposes. Since July 2004, new agreements have not been concluded due to the requirements of the MFMA, No 56 of 2003. The agreements concluded prior to 01 July 2004 are the only transactions still being processed.

LOANS TO MUNICIPAL ENTITY

The loan to the Municipal Entity was obtained from the Development Bank of Southern Africa and is for the installation of water meters in the areas previously having none. The loan is repayable by the entity on the same terms and conditions as imposed by the Development Bank of Southern Africa on the Municipality.

HOUSING SELLING SCHEME LOANS

Housing loans were granted to qualifying individuals in terms of the Housing Act, No. 107 of 1997. These loans attract interest at 13.5% per annum and are repayable over thirty years. No new loans have been granted since 01 July 2004.

13 *INTANGIBLE ASSETS*

Servitudes are disclosed in Property Plant and Equipment. It has been the municipality's policy to capitalise servitudes to projects which are currently disclosed as infrastructure costs. Computer Software has been shown as other assets in Appendix B.

14 INVENTORY	2008 R	2007 R
Consumable stores – at cost	5 198 147	4 167 640

15 CONSUMER DEBTORS	Gross Balances	Provision for Bad Debts	Net Balances
As at 30 June 2008			
Service debtors	292 336 278	256 550 308	35 785 970
Rates	95 421 290	88 184 316	7 236 974
Electricity	9 926 280	3 131 426	6 794 854
Water	89 463 655	78 034 813	11 429 042
Sewerage	46 577 035	40 413 379	6 163 656
Refuse	50 947 818	46 786 374	4 161 444
VAT and Sundry Services	33 328 432	32 317 667	1 010 765
Bulk Accounts	7 740 617		7 740 617
Sundry Debtors	3 595 488	1 108 695	2 486 793
Housing rentals	966 276	702 498	263 778
Total	337 967 091	290 679 168	47 287 923
As at 30 June 2007			
Service debtors	228 566 408	-189 331 149	39 235 259
Rates	80 872 792	-75 790 348	5 082 444
Electricity	16 853 952	-1 893 007	14 960 945
Water	59 364 152	-54 938 151	4 426 001
Refuse	43 390 097	-38 036 679	5 353 418
Sewerage	28 085 415	-18 672 964	9 412 451
VAT and Sundry services	27 599 750	-22 949 372	4 650 378
Housing rentals	886 974	-9 251	877 723
Total	257 053 132	-212 289 772	44 763 360

	2008 R	2007 R
Rates: Ageing		
Current (0 – 30 days)	9 020 267	7 911 024
31 - 60 Days	3 169 209	2 789 256
61 - 90 Days	3 306 278	2 640 505
91 - 120 Days	3 004 930	2 511 995
121 - 365 and more	76 920 607	65 020 012
Total	95 421 290	80 872 792
(Electricity, Water, Sewerage and Refuse): Ageing		
Current (0 – 30 days)	19 032 385	17 408 653
31 - 60 Days	9 516 610	14 693 901
61 - 90 Days	8 542 931	5 036 178
91 - 120 Days	8 389 019	4 965 388
121 - 365 and more	151 434 043	105 589 496
Total	196 914 988	147 693 616

	2008 R	2007 R
VAT and Sundry: Ageing		
Current (0 – 30 days)	-817 795	-617 687
31 - 60 Days	1 828 561	2 299 048
61 - 90 Days	1 717 407	1 330 922
91 - 120 Days	1 767 515	1 913 933
121 - 365 and more	28 832 745	22 673 534
Total	33 328 432	27 599 750
Housing rentals: Ageing		
Current (0 – 30 days)	-509 008	-399 769
31 - 60 Days	759 499	669 919
61 - 90 Days	596 010	544 167
91 - 120 Days	85 286	58 848
121 - 365 and more	34 490	13 810
Total	966 276	886 975

Summary of Debtors by Customer Classification	Consumers	Industrial/ Commercial	Government Entity
	R	R	R
30th June 2008			
Current (0 – 30 days)	26 725 849	7 740 617	3 595 487
31 - 60 Days	15 273 878		
61 - 90 Days	14 162 625		
91 - 120 Days	13 246 750		
121 - 365 and more	257 221 884		
Sub-total	326 630 987	7 740 617	3 595 487
Less: Provision for bad debts	289 570 473	-	1 108 695
Total debtors by customer classification	37 060 514	7 740 617	2 486 793

Reconciliation of the bad debt provision	2008 R	2007 R
Balance at beginning of the year	212 289 772	163 016 550
Contributions to provision	78 389 396	55 378 413
Bad debts written off against provision		-6 337 042
Reversal of provision		231 851
Balance at end of year	290 679 168	212 289 772

16 OTHER DEBTORS	2008 R	2007 R
Sundry debtors	3 479 130	2 639 329
Other debtors	1 791 727	396 954
Debtors suspense	2 776 743	5 451 520
Receipts in advance		8 249 119
Insurance	1 275 843	225 528
Total Other Debtors	9 323 443	16 962 450

17 CALL INVESTMENT DEPOSITS		
Call accounts	170 852 628	36 581 473
Money market	58 007 253	52 886 114
30 Day Deposits	228 859 882	89 467 587

18 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Newcastle Branch - Account Number 53140035974

Cash book balance at beginning of year	64 643 573	18 099 719
Cash book balance at end of year	16 632 373	64 643 573
Bank statement balance at beginning of year	80 405 751	49 784 049
Bank statement balance at end of year	16 632 373	80 405 751
Other Cash Balances	608 738	
Bank Balances and Cash as at year end	17 241 111	80 405 751

Refer to Note 29 for total cash and cash equivalents

19 PROPERTY RATES		
Actual		
Residential	42 332 091	38 694 912
Commercial	49 809 089	47 341 174
Industrial	5 542 145	5 137 725
Vacant	12 900 253	11 797 890
Rate levies - Madadeni and Osizweni	32 377 838	29 772 510
State	2 999 558	2 775 474
Total Assessment Rates	145 960 974	135 519 685
Property Valuations		
Residential	62 507 850	62 360 950
Commercial	72 018 350	72 376 950
State	4 822 425	4 326 325
Industrial	7 958 010	7 966 310
Vacant	18 713 360	19 962 810
Total Property Valuations	166 019 995	166 993 345

Valuations on land and buildings are performed in house every year.

20 SERVICE CHARGES	2008 R	2007 R
Sale of electricity	324 909 438	163 534 139
Sale of water		67 586 830
Refuse removal	40 442 558	35 914 432
Sewerage and sanitation charges	616 324	47 040 865
Other	2 630 599	2 673 241
Total Service Charges	368 598 919	316 749 507

21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	110 311 191	90 041 724
Conditional Grants: Conditions met - transferred to revenue	35 803 742	46 626 896
Contribution to Township Development	72 000	5 104
Provincial LED Projects		-
Provincial health subsidies		-
MIG Grant		-
Total Government Grant and Subsidies	146 186 933	136 673 724

21.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as per the indigent register. Households with a total monthly income less than R900 may apply to be registered as indigent.

21.2 Conditional Grants

Balance unspent at beginning of year	30 428 239	16 094 820
Current year receipts - included in public health vote	54 743 893	57 819 378
Conditions met - transferred to revenue	-34 586 956	-43 485 959
Unspent Conditional Grant for Buildings belonging to Department of Housing	-3 752 904	
Conditions still to be met - transferred to liabilities (see note 8)	46 832 271	30 428 239

These grants are used for capital and operating expenditure

21.3 Other grant receipts

Balance unspent at beginning of year	2 315 084	5 456 021
Current year receipts	2 013 899	-
Conditions met - transferred to revenue	-11 496	-3 140 937
Conditions still to be met - transferred to liabilities (see note 8)	4 317 486	2 315 084

These grants are used for capital and operating expenditure.

21.4 Conditional Grants

Balance unspent at beginning of year	32 743 323	21 550 841
Current year receipts	56 757 792	57 819 378
Less expenditure	-34 598 452	-46 626 896
Unspent Conditional Grant for Buildings that belongs to Department of Housing	-3 752 904	
Conditions still to be met - transferred to liabilities (see note 8)	51 149 758	32 743 323

Refer to Appendix F for more detail on Government Grants and Subsidies

22 OTHER INCOME		
Insurance from re-insurance recoveries	-	-
Sale of housing	-	-
Other income	2 290 066	9 682 032
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 36)	-	-
Total Other Income	2 290 066	9 682 032

23 EMPLOYEE RELATED COSTS	2008 R	2007 R
Employee related costs - Salaries and Wages	79 723 661	73 886 610
Employee related costs - Contributions for UIF, pensions and medical aids	23 814 275	16 269 378
Travel, motor car, accommodation, subsistence and other allowances	726 617	8 882 171
Housing benefits and allowances	6 383 200	2 916 323
Overtime, Night Work and Standby payments	10 442 143	7 212 231
Leave bonus	5 956 694	-
Long-service awards	621 983	16 007
Less: Employee costs allocated in Remuneration of Councillors	-11 715 080	-13 212 867
Total Employee Related Costs	115 953 493	95 971 853

There were no advances to employees. Loans to employees are set out in note 12.

For a detail of employee costs related to the Municipal Manager, CFO and individual Executive Directors refer to Annexure A

24 REMUNERATION OF COUNCILLORS		
Executive Mayor	488 970	522 450
Deputy Executive Mayor	386 529	421 653
Speaker	386 529	431 668
Mayoral Committee Members- EXCO	2 589 611	2 710 057
Councillors	7 863 441	8 393 402
Councillors' pension contribution = R438 157.31 (already included in packages)		733 637
Total Councillors' Remuneration	11 715 080	13 212 867

The salaries, allowances and benefits are within the upper limits envisaged in Section 219 of the Constitution.
In-kind Benefits
The Executive Mayor has use of a Council owned vehicle for official duties and one bodyguard.

25 INTEREST PAID		
Long-term liabilities	4 078 203	1 560 381
Consumer deposits	-	-
Non-Current provision	1 367 038	1 196 161
Finance Charges		189 869
Post Retirement Benefits	3 064 622	-
Total Interest on External Borrowings	8 509 863	2 946 411

26 BULK PURCHASES		
Electricity	127 538 606	115 564 399
Water		
Total Bulk Purchases	127 538 606	115 564 399

27 GRANTS AND SUBSIDIES PAID		
Grant paid - other	8 868 008	-
Rates Rebates	16 349 788	14 984 512
Total Grants and Subsidies	25 217 796	14 984 512

28 CASH GENERATED BY OPERATIONS	2008 R	2007 R
Surplus for the year	11 666 814	26 303 364
Adjustment for:-		
Depreciation	22 977 672	21 870 322
Gain (Loss) on disposal of property, plant and equipment	-109 100	-
Contribution to provisions - non-current	-38 980 702	
Contribution to bad debt provision		-74 858 308
Non-operating income		6 790 151
Non-operating expenditure		-9 829 752
Capital grants used to purchase property, plant and equipment		-13 166 840
Offsetting of depreciation	-16 058 966	14 465 152
Prior year adjustments	10 642 194	3 931 629
Transfer of water appropriation balances	2 139 831	-
Write off of VAT		-
Correction of error-Housing Development Fund	36 426	-
Landfill site provision - Prior year adjustment		-11 961 613
Opening balance adjustment		9 101
Consumer adjustments	-8 983 429	-1 274 263
VAT adjustments		12 268 406
Difference between hand register and computer		54 764
Adjustment to government grant reserve	8 868 013	3 405 676
Stock adjustments		-775 194
Transfer of suspense accounts		-631 389
Reversal of grant portion of loan		-2 951 591
Adjustment for winding up of WRS	-372 629	
Dividends received	-	-
Investment income	-18 572 296	-9 914 784
Interest paid	8 509 863	2 946 411
Operating surplus before working capital changes:	**-18 236 309**	**-33 318 758**
(Increase)/Decrease in inventories	-1 030 507	-356 495
(Increase)/decrease in debtors	-2 524 563	102 477 979
(Increase)/decrease in other debtors	7 639 007	
(Decrease)/Increase in conditional grants and receipts	18 406 435	11 192 482
(Decrease)/Increase in creditors	-6 578 441	-14 734 295
(Decrease)/Increase in provisions	46 385 802	-
(Decrease)/Increase in VAT	6 106 557	-49 141
Cash generated by/(utilised in) operations	**50 167 980**	**65 211 772**

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	17 241 111	66 149 969
Call investment deposits	228 859 882	89 467 587
Bank overdraft	-	-
Total cash and cash equivalents	**246 100 993**	**155 617 556**

30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2008 R	2007 R
Long-term liabilities (see Note 3)	67 480 153	43 492 488
Used to finance property, plant and equipment – at cost	-67 480 153	-43 492 488
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-6 142 553	4 648 108
Cash invested for repayment of long-term liabilities (see note	-6 142 553	4 648 108

31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

32.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	125 560
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	125 560

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT

32.1 Contributions to organized local government

Opening balance		-
Council subscriptions		22 565
Amount paid - current year		-22 565
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	-

32.2 Audit fees

Opening balance		-
Current year audit fee	1 103 680	226 217
Amount paid - current year	-1 103 680	-226 217
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance		-
Current year payroll deductions	14 091 341	13 822 611
Amount paid - current year	-14 091 341	-13 822 611
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	-

32.5 Pension and Medical Aid Deductions

	2008 R	2007 R
Opening balance		-
Current year payroll deductions and Council Contributions	22 396 022	27 113 448
Amount paid - current year	-22 396 022	-27 113 448
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	-

The balance represents pension and medical aid contributions deducted from employees in the monthly payrolls as well as Council's contributions to pension and medical aid funds.

32.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during 2007/2008 financial year

30th June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor HS Madonsela	2 252	454	1 798
Councillor DO Shabalala	6 197	1 406	4 791
Councillor NA Hadebe	4 785	1 401	3 384
Councillor JR Sibiya	697	454	243
Councillor SJ Zulu	2 871	2 333	538
Councillor WS Nkomzwayo	2 206	1 518	688
Councillor AD Mazibuko	1 089	227	862
Councillor ZJ Ndlovu (7200097)	597	261	337
Councillor ZJ Ndlovu (7004989)	2 770	480	2 290
Councillor PB Mwali	2 052	818	1 234
Councillor JD Mbatha	7 221	870	6 351
Total Councillor Arrear Consumer Accounts	32 737	10 222	22 515
30th June 2007			
Councillor Khoza	18 998	1 610	17 388
Councillor Khumalo	289	464	-175
Councillor Zulu	18 063	4 149	13 914
Councillor Masondo	17 108	889	16 219
Councillor Mbokazi	12 136	2 429	9 707
Councillor Mposula	1 746	1 086	660
Councillor Madonsela	5 679	605	5 074
Councillor Shabalala	1 641	1 641	-
Councillor Hadebe	3 265	1 246	2 019
Councillor Khumalo	2 947	1 181	1 766
Councillor Mtshali	1 982	855	1 127
Councillor Sibiya	292	416	-124
Councillor Thungo	19 546	1 653	17 893
Councillor Zulu	1 770	1 469	301
Councillor Nkomzwayo	6 319	1 264	5 055
Councillor Mazibuko	1 124	205	919
Councillor Ndlovu	1 275	494	781
Total Councillor Arrear Consumer Accounts	114 180	21 656	92 524

33 CAPITAL COMMITMENTS	2008 R	2007 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	**11 435 385**	**8 977 772**
Infrastructure	1 480 630	8 380 878
Community	1 598 620	98 604
Heritage	-	-
Other	8 220 615	4 576
Land and Buildings	135 520	493 714
Investment Properties		
- Approved but not yet contracted for	**68 810 000**	**65 741 858**
Infrastructure	62 900 000	45 451 752
Community	-	2 501 396
Heritage	-	-
Other	5 260 000	7 795 424
Land and Buildings	650 000	9 993 286
Investment Properties		
Total	**80 245 385**	**74 719 630**
This expenditure will be financed from:		
- External Loans	17 579 910	30 011 630
- Capital Replacement Reserve	-	-
- Government Grants	61 638 475	42 485 000
- Own resources	-	-
- District Council Grants	1 027 000	2 223 000
	80 245 385	**74 719 630**

R22 650 000 of capital commitments approved but not yet contracted for wrt infrastructure has been included in the total commitments but will be executed by Uthukela Water (Pty) Ltd.

34 RETIREMENT BENEFIT INFORMATION

A provision for Post Employment Benefits has been recognised and disclosed (refer to note 4). A report from the independent valuators ARCH Actuarial Consulting (Registration: 1998/023194/23) as at 30 June 2008 has been used to adjust for this provision.

35 LEASES

The future minimum lease payments payable under operating leases are as follows:		
Within 1 year	802 018	709 292
In second to fifth year inclusive	108 486	898 581
Later than 5 years		
	910 504	**1 607 873**

36 CONTINGENT LIABILITY

37.1 Guarantees for staff housing loans with financial institutions: R32 000 (R53 000: 2007)
37.2 Several claims made against Council with regard to damages arising from accidents, etc, have been submitted to Council's insurers for payment thereof. There is no indication that the claims may result in legal claims against the municipality.

37 CONTINGENT ASSET

No contigent assets are noted in 2007/2008 financial year. Civil proceedings, amounting R2.7 million, identified the previous year have been written off as the recovery of this amount proved remote.

38 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E(1).

39 RELATED PARTIES

Uthukela Water Pty (Ltd): Net Investment value = R37 865 822
The investment in this entity has been fully impaired as the municipality does not anticipate recovery of this amount nor are the returns on the investment envisaged. The impairment losses have been accounted for in the Statement of Financial Performance.
Waste Works Newcastle
The financial statements of Waste Works Newcastle have not been consolidated into the annual financial statements of Newcastle Local Municipality pending the outcome of the liquidation process. These have been separately prepared and presented.

10. PROPERTY, PLANT AND EQUIPMENT

30 th June 2008

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Other	Housing Develop. Fund	Leased Infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2007	**90 047 328**	**97 266 974**	**12 243 861**	**394 027**	**25 430 826**	**0**	**0**	**225 383 016**
Cost	*107 821 633*	*213 794 555*	*24 022 631*	*394 027*	*92 905 251*	*0*	*0*	*438 938 097*
Correction of error (note 33)	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Revaluation	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Accumulated depreciation	*-17 774 305*	*-116 527 581*	*-11 778 770*	*0*	*-67 474 425*	*0*	*0*	*-213 555 081*
- Cost	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
- Revaluation	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Acquisitions	2 887 090	21 632 201	280 866	0	3 068 342			27 868 499
Capital under Construction	0	0	0	0	0			0
Increases/decreases in revaluation	0	0	0	0	0			0
Depreciation	2 117 140	12 398 003	1 107 244	0	7 355 285	0	0	22 977 672
- based on cost	*2 117 140*	*12 398 003*	*1 107 244*		*7 355 285*			*22 977 672*
- based on revaluation								
Carrying value of disposals	1 737 410	0	0	0	0	0	0	*1 737 410*
Cost/revaluation	*1 737 410*				*42 844*			*1 780 254*
Accumulated depreciation	*0*				*-42 844*			*-42 844*
Carrying value of Land and Buildings removed as per audit findings	12 736 333	0	0	0	0	0	0	*12 736 333*
Cost/revaluation	*13 997 588*							*13 997 588*
Accumulated depreciation	*-1 261 255*							*-1 261 255*
Impairment losses								
Other movements - adjustments after audit								
Carrying values at 30 June 2008	**76 343 534**	**106 501 173**	**11 417 483**	**394 027**	**21 143 883**	**0**	**0**	**215 800 100**
Cost	*94 973 724*	*235 426 756*	*24 303 498*	*394 027*	*95 930 747*	*0*	*0*	*451 028 752*
Revaluation								*0*
Accumulated depreciation	*-18 630 190*	*-128 925 584*	*-12 886 014*	*0*	*-74 786 868*	*0*	*0*	*-235 228 656*
- Cost								*0*
- Revaluation								*0*

Assets that were consolidated into Land to the value of R4 790 586.00 (as a result of take-on of assets owned by the municipality in 1975 into the asset register) have been written off from PPE as these items could not be verified for existence, rights or valuation. The write off of these assets will be presented to the municipal council for ratification. The municipality is in a process of engaging a service provider for the verification of all assets in the municipal asset register anticipated for execution in 2008/2009 financial year

PROPERTY, PLANT AND EQUIPMENT
30th June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	**87 474 431**	**88 241 755**	**12 904 300**	**359 068**	**27 331 796**	**0**	**0**	**216 311 350**
Cost	*103 198 463*	*194 078 526*	*23 589 878*	*359 068*	*88 559 023*			**409 784 958**
Revaluation								**0**
Accumulated depreciation	*-15 724 032*	*-105 836 771*	*-10 685 578*	*0*	*-61 227 227*	*0*	*0*	**-193 473 608**
- Cost								
- Revaluation								
Acquisitions	4 623 170	19 716 029	432 816	34 959	6 845 000	0	0	**31 651 974**
Capital under construction								
Increases/decreases in revaluation								
Depreciation	-2 050 273	-10 690 810	-1 093 254	0	-8 035 985	0	0	**-21 870 322**
- based on cost								
- based on revaluation								
Carrying value of disposals					-709 986			**-709 986**
Cost/revaluation					*-2 498 836*			**-2 498 836**
Accumulated depreciation					*1 788 850*			**1 788 850**
Impairment losses								
Other movements								
Carrying values at 30 June 2007	**90 047 328**	**97 266 974**	**12 243 861**	**394 027**	**25 430 826**	**0**	**0**	**225 383 016**
Cost	*107 821 633*	*213 794 555*	*24 022 631*	*394 027*	*92 905 251*	*0*	*0*	*438 938 097*
Correction of error (note 33)								*0*
Revaluation								*0*
Accumulated depreciation	*-17 774 305*	*-116 527 581*	*-11 778 770*	*0*	*-67 474 425*	*0*	*0*	*-213 555 081*
- Cost								*0*
- Revaluation								*0*

NEWCASTLE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

ANNEXURE A
EMPLOYEE RELATES COSTS FOR SENIOR MANAGEMENT

30 June 2008

	Municipal Manager	Deputy Municipal Manager	CFO	Infrastrucutral Services	Administration Services	Community Services	Human Resources	Housing and Land	Town Planning	Economic Development	Culture and Recreational Amenities
Annual Remuneration	584 875	382 318	322 134	215 648	305 921	113 066	114 835		160 769	305 921	275 605
Performance Bonuses	-	-	-	-	22 875	19 616	20 766		22 875	22 875	22 875
Housing Allowances		-	2 969	-	4 453	1 484	1 856	-	2 598	4 453	4 453
Car, Entertainment and Telephone Allowance	102 083	110 000	138 656	112 000	138 108	17 401	50 563		80 563	138 108	111 240
Contributions to UIF, Medical and Pension Funds	83 859	101 556	99 967	19 000	114 435	29 102	39 815		63 909	111 143	96 051
Total	770 818	593 874	563 727	346 647	585 793	180 669	227 835	-	330 714	582 501	510 225

30 June 2007

	Municipal Manager	Deputy Municipal Manager	CFO	Infrastrucutral Services	Administration Services	Community Services	Human Resources	Housing and Land	Town Planning	Economic Development	Culture and Recreational Amenities
Annual Remuneration	664 349	465 089	310 390	357 069	315 518	315 097	287 313	287 313	286 891	315 097	286 891
Performance Bonuses	-	-	-	-	-	-	-	-	-	-	-
Housing Allowances	-										
Car, Entertainment and Telephone Allowance		120 000	114 377	180 000	116 088	105 132	115 243	115 243	116 088	104 374	105 132
Contributions to UIF, Medical and Pension Funds	122 161	111 380	99 588	30 349	100 990	81 712	91 576	49 793	94 844	97 108	84 412
Total	786 510	696 469	524 355	567 418	532 596	501 941	494 132	452 349	497 823	516 579	476 435

NON-CURRENT PROVISION FOR RECLAMATION OF REFUSE LANDFILL SITE - 2007/2008					
	Description	2008/2009	2009/2010	2010/2011	Total
Estimated Costs	Provision for closure of the existing site	2 800 000	13 097 251	400 000	16 297 251
Factor of discounting		*1.10*	*1.21*	*1.33*	
Discounted Values		2 545 455	10 824 174	300 752	13 670 381
					-
Interest	2008/2009	254 545	1 082 417	30 075	1 367 038
	2009/2010		1 190 659	33 083	1 223 742
	2010/2011			36 391	36 391
	Analysis of Estimated Costs above:				
Estimated Costs	Fencing	1 600 000			1 600 000
	Leachate management	600 000			600 000
	Gas Management	600 000			600 000
	Drainage and Hydroseeding		5 797 251		5 797 251
	Landfill Capping		7 300 000		7 300 000
	Subbase Material for access road			400 000	400 000
					-
Total		2 800 000	13 097 251	400 000	16 297 251

APPENDIX A
NEWCASTLE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30-Jun-07	Received during the period	Redeemed written off during the period	Balance at 30-Jun-08	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS - DBSA								
DBSA @ 9.26%	101965.1	30/06/2015	14 384 649		1 279 014	13 105 635		
DBSA @ 9.10%	101965.2	30/06/2010	675 523		205 324	470 199		
DBSA @ 9.31%	102322.1	30/06/2011	2 520 285	250 019	603 024	2 167 280		
DBSA @ 9.40%	102322.2	30/06/2013	3 189 597	3 825 093	946 954	6 067 736		
DBSA @ 9.45%	102322.3	30/06/2016	2 021 901		150 510	1 871 391		
DBSA @ 9.37%	102322.4	30/06/2021	16 973 002	251 892	624 556	16 600 339		
DBSA @ 9.10%	102653.1		1 677 401	17 448 836	137 931	18 988 306		
DBSA @ 9.20%	102653.2	30/06/2012	415 190	671 900	87 953	999 137		
DBSA @ 13.74%	103131.3	30/06/2018		2 445 296		2 445 296		
DBSA @ 13.65%	103131.4	30/06/2023		3 006 664		3 006 664		
DBSA @ 13.64%	103131.5	30/06/2028		847 665		847 665		
						-		
Total long-term loans			41 857 548	28 747 366	4 035 266	66 569 648	-	-
ANNUITY LOAN								
						-		
GOVERNMENT LOANS								
- Other @2-5%								
Total Government Loans			-	-	-	-	-	-
LEASE LIABILITY								
Motor Vehicles		30/06/2010	1 615 378		704 874	910 505		
TOTAL EXTERNAL LOANS			43 472 926	28 747 366	4 740 140	67 480 153	-	-

APPENDIX B
NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	62 446 549	1 116 937		6 527 996	57 035 490	2 549 602	-		2 549 602	54 485 888
Buildings	45 375 084	1 770 153		9 207 002	37 938 235	15 224 702	2 117 140	1 261 255	16 080 588	21 857 647
	107 821 633	2 887 090	-	15 734 998	94 973 725	17 774 304	2 117 140	1 261 255	18 630 190	76 343 535
Infrastructure Assets										
Airports	262 520				262 520	78 756	13 126		91 882	170 638
Roads	144 050 514	16 409 785			160 460 299	70 063 369	8 939 991		79 003 360	81 456 939
Electricity	56 112 038	3 382 263			59 494 301	37 377 937	2 469 773		39 847 709	19 646 591
Water	304 336	-			304 336	267 679	4 045		271 724	32 612
Sewerage	237 645	-			237 645	216 953	2 953		219 906	17 739
Service Connections	12 827 162	1 840 153			14 667 315	8 522 853	968 098		9 490 951	5 176 365
Reseviours and Tanks	340	-			340	34	17		51	289
	213 794 555	21 632 201	-	-	235 426 756	116 527 581	12 398 003	-	128 925 584	106 501 173
Community Assets										
Security System	2 580 205	-	-		2 580 205	2 080 775	186 830	-	2 267 605	312 600
Dams	21 492	-	-		21 492	12 895	1 433	-	14 328	7 164
Libraries	2 621 336	-	-		2 621 336	1 861 001	49 764	-	1 910 765	710 571
Parks and Gardens	425 673	-	-		425 673	257 234	16 348	-	273 582	152 091
Recreation Facilities	5 725 081	91 535			5 816 616	2 793 931	257 410	-	3 051 341	2 765 275
Cemeteries	810 187	189 331			999 518	286 726	60 103	-	346 829	652 689
Community Centres	11 838 657	-	-		11 838 657	4 486 207	535 357	-	5 021 564	6 817 094
	24 022 632	280 866	-	-	24 303 498	11 778 770	1 107 244	-	12 886 014	11 417 484
Heritage Assets										
Painting & Art Galleries	292 779	-	-	-	292 779	-	-	-	-	292 779
Historical Buildings	84 737	-	-	-	84 737	-	-	-	-	84 737
Museums	16 511	-	-	-	16 511	-	-	-	-	16 511
	394 027	-	-	-	394 027	-	-	-	-	394 027
Other Assets										
Buildings other	162 576	-	-	-	162 576	2 710	8 129	-	10 838	151 738
Office Equipment	15 104 782	211 403	-	-	15 316 185	12 510 478	1 173 942	-	13 684 420	1 631 765
Motor vehicles	25 752 076	2 488 789		42 844	28 198 021	15 005 629	2 558 555	42 844	17 521 340	10 676 681
Plant and Equipment	15 062 883	-	-	-	15 062 883	11 935 908	825 719	-	12 761 627	2 301 256
Furniture and Fittings	4 258 807	117 686	-	-	4 376 493	3 196 821	436 676	-	3 633 498	742 995
Bins and Containers	4 278 387	-	-	-	4 278 387	2 247 962	500 223	-	2 748 185	1 530 202
Emergency Equipment	1 448 463	-	-	-	1 448 463	1 361 688	57 406	-	1 419 094	29 368
Other	26 837 276	250 464	-	-	27 087 740	21 213 231	1 794 636	-	23 007 866	4 079 874
	92 905 250	3 068 342	-	42 844	95 930 748	67 474 427	7 355 285	42 844	74 786 868	21 143 880
Total	438 938 096	27 868 499	-	15 777 842	451 028 754	213 555 082	22 977 672	1 304 099	235 228 656	215 800 098

APPENDIX C
NEWCASTLE LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	24 106 266	413 715	-	-	24 519 981	8 618 284	1 355 669	-	9 973 953	14 546 028
Finance & Admin	36 268 382	378 578	-	-	36 646 961	18 769 354	2 241 194	-	21 010 548	15 636 413
Planning & Development	40 801 094	1 075 382	-	1 300 354	40 576 122	9 388 229	1 422 421	-	10 810 651	29 765 471
Health	3 931 412	-	-	-	3 931 412	1 873 239	202 972	-	2 076 211	1 855 201
Community & Social Services	45 899 416	1 431 811	-	-	47 331 227	13 772 383	1 579 912		15 352 295	31 978 931
Housing	17 788 772	283 235	-	9 644 058	8 427 950	1 560 581	863 241	1 261 255	1 162 567	7 265 382
Public Safety	10 592 694	244 986	-	-	10 837 679	6 533 760	760 445	-	7 294 205	3 543 474
Sport & Recreation	14 007 336	105 659	-	-	14 112 996	10 292 678	732 877		11 025 555	3 087 441
Environmental Protection	65 443	101 643	-	-	167 086	42 710	7 240	-	49 950	117 136
Waste Water Management	2 191 811	-	-	-	2 191 811	856 391	121 430	-	977 820	1 213 991
Waste Management	24 472 165	324 796	-	-	24 796 961	13 338 823	2 393 005		15 731 828	9 065 133
Road Transport	131 290 038	18 165 473	-	4 833 430	144 622 081	62 826 748	7 723 192	42 844	70 507 097	74 114 984
Water	475 630	-	-	-	475 630	444 539	10 681		455 220	20 410
Electricity	75 270 985	5 343 222	-	-	80 614 206	55 554 425	3 040 693		58 595 118	22 019 088
Other	11 776 650	-	-	-	11 776 650	9 682 936	522 702		10 205 638	1 571 012
					-				-	-
TOTAL	438 938 095	27 868 499	-	15 777 842	451 028 752	213 555 082	22 977 672	1 304 099	235 228 656	215 800 097

APPENDIX D

NEWCASTLE LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus / (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus / (Deficit) R
215 096 986	123 716 424	91 380 562	Executive & Council	228 245 305	106 416 218	121 829 087
11 861 611	21 791 699	-9 930 088	Finance & Admin	12 738 460	32 893 289	-20 154 830
4 258 992	12 689 973	-8 430 981	Planning & Development	3 726 119	12 727 265	-9 001 146
1 339 350	2 777 222	-1 437 872	Health	745 822	2 658 366	-1 912 544
2 226 475	10 645 328	-8 418 853	Community & Social Services	4 140 625	12 673 761	-8 533 136
5 887 190	9 161 665	-3 274 475	Housing	5 746 767	12 539 647	-6 792 880
2 982 509	17 207 928	-14 225 419	Public Safety	4 128 583	18 457 170	-14 328 587
480 813	13 337 379	-12 856 566	Sport & Recreation	816 926	16 458 375	-15 641 449
210	204 601	-204 391	Environmental Protection	25 754	259 585	-233 831
51 792 666	31 576 168	20 216 498	Waste Water Management	70 715 838	35 424 014	35 291 824
46 708 326	50 099 394	-3 391 068	Waste Management	54 836 650	57 781 930	-2 945 280
8 141 884	27 344 486	-19 202 602	Road Transport	11 956 413	39 591 511	-27 635 098
92 188 956	127 230 174	-35 041 218	Water	102 872 674	176 638 790	-73 766 116
173 977 448	140 635 942	33 341 506	Electricity	190 658 609	153 117 070	37 541 539
1 752 643	3 974 312	-2 221 669	Other	1 993 084	4 043 824	-2 050 740
						-
618 696 059	592 392 695	26 303 364	Sub Total	693 347 628	681 680 815	11 666 813
		-	Less Inter-Dep Charges			-
618 696 059	592 392 695	26 303 364	Total	693 347 628	681 680 815	11 666 813

APPENDIX E(1)

NEWCASTLE LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	145 960 972	146 648 060	-687 088	-0.47%	
Property rates - penalties imposed and collection charges	3 352 677	3 001 000	351 677	11.72%	
Service charges	368 598 919	347 364 600	21 234 319	6.11%	
Regional Services Levies - turnover	0	-	0	0.00%	
Regional Services Levies - remuneration	0	-	0	0.00%	
Rental of facilities and equipment	3 549 259	3 563 220	-13 961	-0.39%	
Interest earned - external investments	17 458 708	1 103 970	16 354 738	1481.45%	Interest on external investments budgeted ito IMFO accounting standards and not GRAP/GAMAP - interest processed ito GRAP/GAMAP
Interest earned - outstanding debtors	1 113 588	1 124 300	-10 712	-0.95%	
Dividends received	0	-	0	0.00%	
Fines	4 451 578	3 924 550	527 028	13.43%	
Licences and permits	227 044	208 290	18 754	9.00%	
Income for agency services	48 785	41 710	7 075	16.96%	
Government grants and subsidies	146 186 933	144 186 628	2 000 305	1.39%	
Other income	2 290 066	2 633 830	-343 764	-13.05%	Land sales of R14 million not budgeted for.
Public contributions, donated/contributed PPE	0	-	0	0.00%	
Gains on disposal of property, plant and equipment	109 100	-	109 100	100.00%	Surplus on disposal of NN1 and NN 30631 not budgeted for
Total Revenue	*693 347 629*	*653 800 158*	*39 547 471*	6.05%	
EXPENDITURE					
Executive & Council	106 416 218	103 259 569	-3 156 649	-3.06%	
Finance & Admin	32 893 289	53 008 638	20 115 349	37.95%	Admin Water and Sewerage - Grant Expenditure underspent and under expendiiture on salaries due to vacant positions
Planning & Development	12 727 265	15 256 927	2 529 662	16.58%	Under expenditure on interest on external loans and depreciation due to under spending on CAPEX and vacant positions.
Health	2 658 366	3 507 450	849 084	24.21%	Under expenditure on salaries and transport allowances
Community & Social Services	12 673 761	11 803 869	-869 892	-7.37%	
Housing	12 539 647	13 903 028	1 363 381	9.81%	
Public Safety	18 457 170	20 400 720	1 943 550	9.53%	
Sport & Recreation	16 458 375	16 292 770	-165 605	-1.02%	
Environmental Protection	259 585	288 200	28 615	9.93%	
Waste Management	57 781 930	53 195 000	-4 586 930	-8.62%	
Road Transport	39 591 511	36 414 230	-3 177 281	-8.73%	
Waste Water Management	35 424 014	40 054 590	4 630 576	11.56%	Incorrect budget allocation - indigent benefit for water and waste water budgeted on cost centre 701 - corresponding excess expenditure
Water	176 638 790	117 716 430	-58 922 360	-50.05%	Impairment of investment in UTW - R37.7 million and bad debt due to water leaks not budgeted for.
Electricity	153 117 070	162 765 460	9 648 390	5.93%	
Other	4 043 824	6 540 080	2 496 256	38.17%	Under expenditure on salaries, grant funded expenditure and depreciation due to underspending on CAPEX
Total Expenditure	*681 680 815*	*654 406 961*	*-27 273 854*	*-4.17%*	
NET SURPLUS/(DEFICIT) FOR THE YEAR	*11 666 814*	*-606 803*	*12 273 617*	*0*	

APPENDIX E(2)
NEWCASTLE LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual Additions	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	413 715		413 715	944 077	530 362	56%	Project ended
Finance & Admin	378 578		378 578	4 395 086	4 016 508	91%	Replacement of financial system postponed for SED to be appointed and implement
Planning & Development	1 075 382		1 075 382	2 273 225	1 197 843	53%	Software rolled over to 08/09 and capacity constraints in PMU due to resignation of Financial Manager
Community & Social Services	1 431 811		1 431 811	2 251 460	819 649	36%	Title deeds for Amahlubi and Ngonyama not finalised
Housing	283 235		283 235	722 540	439 305	61%	
Public Safety	244 986		244 986	245 264	278	0%	
Sport & Recreation	105 659		105 659	214 200	108 541	51%	Extended SCM Procedures caused delays
Environmental Protection	101 643		101 643	94 286	-7 357	-8%	
Waste Water Management	-			32 593 950	32 593 950	100%	Projects implemented by UTW (PTY)
Waste Management	324 796		324 796	333 170	8 374	3%	
Road Transport	18 165 473		18 165 473	28 095 465	9 929 992	35%	Contract for the resealing of roads in Madadeni and Osizweni were terminated due to non-performance by the contractor. Projects have been rolled over to 08/09
Electricity	5 343 222		5 343 222	5 004 132	-339 090	-7%	
TOTAL	**27 868 499**	-	**27 868 499**	**77 166 855**	**49 298 356**	64%	

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grant and Subsidies Received

Account Code	Directorate	CONDITIONAL GRANTS AND RECEIPTS	Funder	Opening Balance 01/07/2007	Transfers	Grants Received Year to Date	Expenditure Year to Date	Balance at 30 June 2008	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
952044	Administration	Committee Structure	DC25	(97 780)			-	(97 780)			
952075		NC WINTER FESTIVAL - SHOW HALL		(1 067)			-	(1 067)			
952083		Ward Committee Establishment	CMTP	(350 000)			180 670	(169 330)			
952084		CMTP Automation PMS	CMTP	(500 000)			199 508	(300 492)			
952007		Cleanest Town	DPLG	(5 156)			-	(5 156)			
952008		Management Assesment Programme MAP	DPLG	(2 000 000)			-	(2 000 000)			
952011	Community & CRA	Upgrade existing cemetries	Amaj DM	(100 433)			-	(100 433)			
952139		Mad Library Internet Proj	KZN ART CULT			(88 900)	9 698	(79 202)			
952239		Osiz Library Internet Proj	KZN ART CULT			(88 900)	9 698	(79 202)			
952249		Osiz Library Extension	KZN ART CULT			(1 380 606)	1 242 480	(138 126)			
952043		Service Provder Waste	DC25	(86 250)			-	(86 250)			
952064		Emergency Control Room		(6 347)			-	(6 347)			
952135		KZN PA Traffic		(25 477)			-	(25 477)			
952135		MAD Landfill	DPLG	(2 190 943)			-	(2 190 943)			
952135		Traffic Signals	DC25	(91 365)			-	(91 365)			
952235		Traffic Signals	DC25	(91 365)			-	(91 365)			
[illegible]		Primary H/Care Facility	KZN Dept	(281)				(281)			
952057		Fort Amiel	Public Don	(6 250)	(5 000)		4 596	(6 654)			
952235		United Cricket Board SA		(590)			-	(590)			
952245		Osizweni Cricket - Abultion	Nat. Lottery	(3 322)			-	(3 322)			
952073	Economic Development.	Poverty alleviation	DC25	(73 944)			-	(73 944)			
952086		Soya Milk Factory	Amaj DM			(30 000)	-	(30 000)			
952039		Fernwood Hydrophoni	DPLG			(350 000)	350 000	-			
952076		Hawker shelters	DPLG			(120 000)	-	(120 000)			
952076					5 000	(50 000)	45 000	-			
952081		KENAF feasibility	DC25	(70 567)		(2 686)	73 253	-			
952082		LED Strategy	CMTP	(218 500)			217 740	(760)			
952241		LED	DPLG	(993 801)			-	(993 801)			
952243		Osizweni Depot Cluster		(27 000)			-	(27 000)			
952050	Finance	Financial Management Grant	NT	(2 197 751)		(500 000)	217 975	(2 479 775)			
952046		Municipal Administration System	DC25	(182 500)			-	(182 500)			
952087		Markerting Strategy	Deloitte			(200 000)	-	(200 000)			
952088		Revenue enhancement	Deloitte			(2 000 000)	-	(2 000 000)			
952035	Housing	Iscor illegal occupation	DC25	(55 044)			-	(55 044)			
952042		Service Provider Housing	DC25	(70 000)			-	(70 000)			
952069		Housing - Fairleigh Flats	KZN	(312 545)			-	(312 545)			
952244		Repair/Construct Stormwater		(115 000)			-	(115 000)			
952065	Human Resources	Skills Development	DPLG	(308 739)		(439 167)	-	(747 906)			
952074		Community Development Worker		(30 361)			23 032	(7 329)			
952005	IDP/PMS Office	IDP	DPLG	(200 000)			-	(200 000)			

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grant and Subsidies Received

Account Code	Directorate	CONDITIONAL GRANTS AND RECEIPTS	Funder	Opening Balance 01/07/2007	Transfers	Grants Received Year to Date	Expenditure Year to Date	Balance at 30 June 2008	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
952040		Performance Management	DPLG	(195 187)			-	(195 187)			
952041		IDP Review	DC25	(74 886)			-	(74 886)			
952147	Infrastrucural Services	MAD 4 Link Bridge	MIG	(2 769 842)			1 510 586	(1 259 256)			
952940		BR1 Access Road	CMIP	(590 174)			-	(590 174)			
952942		BR10 Access Road	MIG	(8 300)			-	(8 300)			
952943		BR11 Access Road	MIG	(251 090)			-	(251 090)			
952944		BR12 Access Road	MIG	(215 635)			-	(215 635)			
952951		JR3 Access Road	MIG	(158 519)			-	(158 519)			
952150		Roads Reseal Mad	MIG		(1 661 160)		1 661 160	-			
952252		Roads Reseal Osiz	MIG		(3 241 475)		3 241 475	-			
952068		Project Management Unit (PMU)	MIG	(3 245 499)	(617 424)	(380 548)	126 043	(4 117 427)			
952445		Township Development Contribution - Electricity		(26 845)		(36 826)	63 671	-			
952012		Building Sustainable Tech Capacity	DLGTA			(500 000)	-	(500 000)			
952436		Intergration Into Prop REDs	DpLG			(150 000)	-	(150 000)			
952437		Electrification Program KwaMathukuza	DME			(1 050 000)	355 738	(694 262)			
952060	Municipal Manager	Transformation	DPLG	(428 424)			169 120	(259 304)			
952135		Social Plan Fund	DPLG	(50 000)			-	(50 000)			
952085		Ward Committee Induct Training	DLGTA	(46 500)			-	(46 500)			
952047	Town Planning	Spatial Development	DLGTA	(50 000)			-	(50 000)			
952056		GIS Capacity Building	DLGTA	(50 000)			-	(50 000)			
952059		Town Planning Building	DLGTA	(30 279)			29 805	(474)			
952247		Urban Renewal Programme	DLGTA	(2 048 276)			532 061	(1 516 214)			
952054		Capacity Building	DLGTA	(50 212)			50 188	(24)			
952079		ID Verification Assets	DWAF	(272 195)			-	(272 195)			
952447		WATER SERVICE AND DELIVERY MEC	DPLG	(7 582)			-	(7 582)			
952038		Flood Disaster	DWAF	(44 492)			-	(44 492)			
		TOTAL		(21 026 071)	(5 520 059)	(7 367 634)	10 313 499	(23 600 265)			
Account Code		UNCONDITIONAL GRANTS AND RECEIPTS		Balance at 01/07/2007		Contribution during the year	-	Balance at 30/11/2007			
952035		NATIONAL TREASURY - EQUITABLE SHARE	NT	(635 185)			-	(635 185)			
952035		NATIONAL TREASURY - EQUITABLE SHARE	NT	(150 000)			-	(150 000)			
952035		ADVANCE WORK PLACE - LAW COURSE				(6 900)	(6 900)	-			
952035		UMZINYATHI	DPLG	(21 414)		(1 300 322)	-	(1 321 736)			
				(806 598)	-	(1 307 222)	(6 900)	(2 106 920)			
Account Code		HOUSING AGENCY		Balance at 01/07/2007		Contribution during the year		Balance at 30/11/2007			
952141		DEPT HOUSING MAD/OSIW UPGRADE HOUSING				(2 793 162)	-	(2 793 162)			

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grant and Subsidies Received

Account Code	Directorate	CONDITIONAL GRANTS AND RECEIPTS	Funder	Opening Balance 01/07/2007	Transfers	Grants Received Year to Date	Expenditure Year to Date	Balance at 30 June 2008	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
952009		KZN HOUSING				(50 000)		(50 000)			
952080		D HOUSING - KWAMTHUKUSA HOUSING				(12 709 026)	1 844 200	(10 864 827)			
952136		MADADENI OZ DISASTER		(17 980)			-	(17 980)			
952138		KZN HOUSING		(3 526 703)		(2 567 008)	2 375 928	(3 717 783)			
952236		KZN HOUSING		(3 061 705)			-	(3 061 705)			
952010		MIG	MIG	(4 304 266)	5 520 059	(29 963 739)	20 057 926	(8 690 020)			
				(10 910 653)	5 520 059	(48 082 935)	24 278 054	(29 195 476)			
		TOTAL		(32 743 323)	-	(56 757 791)	34 584 652	(54 902 662)			